

*News from the*

## **U.S. Senate Committee on Health, Education, Labor and Pensions**

**Michael B. Enzi (Wyoming), Chairman**



**For Immediate Release**

**Contact: Craig Orfield 202.224.6770**

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### **Budget Panel Approves HELP Bill to Save \$37 Billion Over Ten Years; Provides \$8 Billion New Grant Aid to Students Over Five Years; Improves Stability of Pensions**

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Washington, D.C. - U.S. Senator Mike Enzi (R-WY), said the Senate Budget Committee has approved the HELP Committee's "Deficit Reduction Omnibus Reconciliation Bill of 2005," which will save about \$37 billion in federal spending over 10 years and pave the way for enhanced grant aid in higher education while also boosting premiums to strengthen the Pension Benefit Guaranty Corporation (PBGC) – the safety net for the pension accounts of millions.

Enzi, Chairman of the Senate Health, Education, Labor and Pensions (HELP) Committee, praised the Budget Committee's adoption of Title VII to the "Deficit Reduction Omnibus Reconciliation Bill of 2005," saying: "This agreement makes higher education more accessible and affordable while still contributing to overall deficit reduction and meaningful reductions in mandatory spending."

"It also allows us to boost new grant aid for low and middle-income students from a previously-planned \$5.5 billion to over \$8 billion in new aid over five years - while still providing additional funds to assist victims of Hurricane Katrina," added Enzi, who is a member of the Senate Budget Committee.

As adopted, the measure will raise flat-rate premiums businesses pay to the PBGC from the current

rate of \$19 per plan participant for single employer plans to \$46.75 per plan participant. The increase is necessary to ensure the solvency of the PBGC after the Senate was unable to move forward a comprehensive pension reform bill, “The Pension Security and Transparency Act,” S.1783, agreed to by Enzi, Senator Edward M. Kennedy (D-MA) and leaders of the Senate Finance Committee. This year, the HELP Committee was charged with producing the largest share of these spending reductions to meet targets set by the Balanced Budget Act: \$13.65 billion over 5 years. That amount makes up nearly 40 percent of Congress’ overall target.

“Reaching these budget targets was no small feat,” Enzi said Wednesday. “The members of the HELP Committee have done extraordinary work to reduce spending and find funds that could be put to better use boosting aid grants for low and middle income families struggling to send their kids to college. I am proud to say this bill makes unprecedented strides in deficit reduction and expanding aid to students.”

Enzi called the sharp increase in pension premiums “the price of choosing the perfect over the good,” emphasizing that the compromise, comprehensive pension reform bill, while not perfect would result in a significantly lower premium increase while address several long-term reforms needed to maintain the nation’s pension system.

To provide additional benefits to students and strengthen access to higher education, the bill approved:

- provides over \$8 billion in increased grant assistance for low and middle-income students, including \$2.25 billion targeted to juniors and seniors in college majoring in math and science subjects, or foreign language critical to national security. This is an additional \$2.5 billion in grant aid beyond what the HELP Committee approved last month.
- reduces borrower origination fees at a cost of \$1 billion, which will benefit students who finance some or part of their education through loans.
- incorporates language to provide financial relief to students affected by Hurricane Katrina, including canceling loans disbursed in the 2005-06 academic year to students in the impacted areas.
- allows for an additional \$1.5 billion in Katrina-related aid for FY2006.

Under the FY 2006 Budget Resolution, the HELP Committee also was required to find savings in pension policy \$6.7 billion over five years. To satisfy that requirement, the legislation makes three changes to current law that will generate approximately \$6.7 billion in savings over 5 years, including the following:

**Flat-Rate Premium:** increased to \$46.75 per participant, indexed for wage inflation. The bill increases the single-employer flat-rate premium to \$46.75 per participant and indexes it for wage inflation beginning in 2007, which produces savings of \$5.4 billion over 5 years.

**Multiemployer Premium:** increased to \$8 per participant, indexed for wage inflation. The premium for multiemployer plans is currently \$2.60 per plan participant.

The bill raises that premium to \$8 per participant, and indexes it for wage inflation beginning in 2007. This provision is projected to raise \$300 million over 5 years.

**New Termination Premium:** established at \$1,250 per participant, payable for 3 years. Under current

law an employer ceases paying premiums to the PBGC when its plan is terminated. The bill approved includes a new premium that applies when a bankrupt company engages in a distress or involuntary termination of its pension plan, resulting in the PBGC taking over the plan. The new termination premium is estimated to generate savings of \$1.007 billion over 5 years.

Special Rule Relating to Comprehensive Reform: included a provision stating that the premium increases shall not go into effect if a federal law is enacted which “provides for decreases in federal outlays which in the aggregate are not less than the decreases in Federal outlays by reason of the amendments made by this section....”

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